

# Robert Kuzman

Indiana State Representative, District 19

## How did we get here?

### A brief history of Indiana's finances

In 1999 Indiana boasted a \$2 billion surplus, and financial experts forecasted that the good economic times would continue. As a result I voted to return over \$1 billion in tax dollars to Hoosier homeowners, businesses, farmers, the elderly and the poor.

Additionally, I am proud that I supported almost \$800 million in one-time investments in Indiana. This money went to improvements in roads for cities, towns and counties; to infrastructure at public universities to allow them to remain competitive; to improvements for state parks and the Indiana Port; and to pay down the unfunded liability of the Teachers Retirement Fund.

Unfortunately, the economy has slowed dramatically since 1999, and both the national and Indiana economies are now in recession. This economic downturn occurred at the same time that planned tax cuts were to take effect. The result was a \$3.1 billion loss in revenue to our state.

As recently as this May (the last month for which figures are available) Indiana's revenue collections were a staggering 14.7 percent below projection. Despite over \$900 million in cuts made by Governor O'Bannon, additional revenue is needed to plug the gaping \$3.1 billion loss our state has suffered. House Bill 1001 provided revenue for the budget to ensure that essential state services are funded adequately. This revenue will come from increased cigarette and gaming taxes. However, it is important to note that if revenue continues to fall short of expectations, additional cuts may be needed.



Rep. Kuzman addresses the House.

## Special session ends with success

### New plan to cut property taxes, attract business to state



Dear Friends,

**On June 21, 2002 I voted to cut residential property taxes by a statewide average of 26.3 percent.** In one of the most historic moments in Indiana's history I joined my col-

leagues, both Democrat and Republican, in supporting House Bill 1001. This legislation will cut property taxes for homeowners, ensure funding for essential services such as education, and promote Indiana's economic development by eliminating the inventory tax and reducing property taxes for businesses by 23 percent. I am proud to support HB 1001 and I believe this bill will stimulate Indiana's economy and promote job growth for many years to come.

Due to the court-ordered changes in Indiana's assessment system, property taxes were expected to increase by an average of 13 percent statewide for homeowners. I vowed to support only a tax restructuring plan that would provide a reduction in property taxes for homeowners after reassessment. **By eliminating 60 percent of the school general fund levy from property taxes, increasing the homestead credit to 20 percent and increasing the homeowner's exemption to \$35,000, homeowners can expect to see an average reduction in property taxes of 26.3 percent. Similarly, businesses will see a property tax deduction of 23.4 percent.**

The second goal of tax restructuring was to stimulate economic development in

our state. In the last year Indiana has lost 100,000 jobs. True tax restructuring could not be accomplished without stimulating the state's research and development. HB 1001 eliminates the corporate gross income tax and phases out the inventory tax over five years, although local governments may choose to phase it out more quickly. I also voted to increase the research and development tax credit from 5 percent to 10 percent, and to establish a new venture capital investment tax credit. To stimulate the high tech industry, I voted to provide \$15 million per year for the 21<sup>st</sup> Century Research and Technology Fund for 2003 and 2004.

HB 1001 also provides tax relief to renters and the working poor by increasing the renter's deduction to \$2,500 and increasing the Earned Income Tax Credit to 6 percent of the federal credit.

To pay for these reductions in property taxes and the improved business tax structure, the sales tax will be increased by one cent, and the Adjusted Gross Income Tax for busi-

ness will be increased less than one percent to 8.5 percent.

Finally, due to the national recession Indiana is also faced with a budget crisis. HB 1001 provides additional funding to ensure that services such as education, which accounts for 55 percent of the budget, will be properly funded.

Please contact me with any questions about state government.

Sincerely,

A handwritten signature of Robert Kuzman in black ink.

### Property tax reform

- Increases Homeowners Exemption from \$6,000 to \$35,000
- Eliminates 60 percent of School General Fund Levy through state-paid Property Tax Replacement Credit
- Increases Homestead Credit from 4 percent to 20 percent
- Establishes new 20 percent Property Tax Replacement Credit on all individual and business real property

# Economic development for Indiana

House Bill 1001 assists economic development across Indiana, and it couldn't come at a better time. In recent years Indiana has lost more manufacturing, retail and service jobs than anywhere else in the United States, and that certainly has had a negative economic impact in our state.

How do we create more jobs for Hoosiers? We must create an environment where businesses will want to come to Indiana, and where existing companies will want to expand their operations.

House Bill 1001 addresses these concerns in several ways:

- It eliminates the unpopular inventory tax over a five-year period. Indiana is one of the few states in the country that still enacts this penalty on businesses.
- It also removes both the corporate gross income tax and the corporate supplemental net income tax. It replaces these taxes with a tax on a company's adjusted gross income.

Restructuring the tax burden for employers is only one part of the puzzle. We also must help companies by creating an environment where they can take advantage of the cutting edge technology that enables our state to be competitive in a changing global economy. Several provisions in House Bill 1001 help achieve this goal:

- It allocates tax credits to companies that provide venture capital to startup firms.
- It doubles the state's research and development tax credit to 10 percent.
- It provides \$30 million for the 21st Century Research and Technology Fund for 2003 and 2004.

The impact of these changes will be felt in the years to come. Business owners will think twice about relocating to another state. Companies will find an economic profile dedicated to creating well-paying jobs. They will be even more inclined to take advantage of the Hoosier work ethic that has made us the envy of other states. With the provisions for economic development in House Bill 1001, Indiana is back on track.

## Projected property tax reductions for Indiana



Residential	-26.3%
Agricultural	-18.3%
Industrial	-23.4%

Figures are the projected decrease after reassessment

## CONTACT REPRESENTATIVE KUZMAN

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